Kerjaya Prospek Group (KPG MK)

Prospects Intact, Resilience Shines Through

BUY (Maintained)	
Share Price	RM2.27
Target Price	RM3.25
Upside	+43.2%

Highlights

- **We expect KPG to post a solid earnings growth in 2026-27,** delivering an organic three-year CAGR of 7-16% on the back of strong construction contract flows and new property developments.
- **Disruptions from rising raw material costs are minimal.** We believe KPG is largely protected as its strong operational infrastructure and VOP clauses should minimise impact
- Maintain BUY with an unchanged target price of RM3.25

Analysis

- **Marginal impact from material price hikes.** We believe Kerjaya Prospek Group (KPG) should be largely shielded from the recent spike in raw material prices. While logistics costs have risen across the board, the largest increases in ASPs are mainly for pre-mix cement and aggregates. We understand that so far, the increase to KPG's costs have been marginal as onsite batching plants have minimised the need for pre-mix, using raw cement powder instead. Coupled with the variation-of-price (VOP) clauses in the majority of KPG's contracts, we believe the impact may be manageable with minimal impact on margins.
- **Pipeline remains robust.** We also believe that KPG's pipeline of upcoming contracts remains robust. KPG has maintained its RM2.0b replenishment target for 2026, fuelled largely by awards from sister company Eastern & Oriental (E&O). We understand that timelines for E&O's Andaman Island project are largely intact with upcoming awards expected to be industrial and infrastructure works. We also believe that should E&O need to protect margins, the group's more premium portfolio should provide some leeway to adjust prices. KPG is also targeting a higher proportion of external contracts, with an estimated 30-40% of its outstanding tenderbook of RM2.0b coming from non-related parties
- **New property projects on the horizon.** KPG's land acquisitions back in 2025 also represent a significant catalyst as work on its new property projects are slated to begin later this year. While details are still preliminary, we estimate the GDV of the four projects to be roughly RM1.6b. However, contributions from these new projects may be further out; the Aspen JV is only slated to begin development in 2H26 while the Puchong development is currently scheduled to begin in 1H27. Nonetheless, the new projects represent a significant earnings catalyst as the estimated GDV is nearly double its existing property projects.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2026F
Net turnover	1,835	2,249	2,661	2,829	3,299
EBITDA	250	339	368	402	441
Operating profit	218	308	350	384	424
Net profit (rep./act.)	160	225	265	290	320
Net profit (adj.)	174	239	265	290	320
EPS (sen)	13.7	18.9	20.9	22.9	25.3
PE (x)	16.5	12.0	10.9	9.9	9.0
P/B (x)	2.5	2.4	2.2	2.0	1.8
EV/EBITDA (x)	11.2	7.9	6.7	5.7	4.7
Dividend yield (%)	6.6	5.5	5.5	5.5	5.5
Net margin (%)	8.7	10.0	9.9	10.3	9.7
Net debt/(cash) to equity (%)	(20.2)	(24.6)	(31.1)	(41.4)	(49.4)
Interest cover (x)	169.0	382.4	251.1	274.1	301.3
ROE (%)	14.2	19.2	21.6	22.4	23.3
Consensus net profit	-	-	249	271	303
UOBKH/Consensus (x)	-	-	1.1	1.1	1.1

Source: Kerjaya Prospek Group, Bloomberg, UOB Kay Hian

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Stock Data

GICS sector	Industrials
Bloomberg ticker:	KPG MK
Shares issued (m):	1,257.3
Market cap (RMm):	3,281.7
Market cap (US$m):	843.7
3-mth avg daily t'over (US$m):	0.8

Price Performance (%)

52-week high/low				RM2.87/RM2.00
1mth	3mth	6mth	1yr	YTD
(6.2)	(18.9)	(5.4)	9.7	(14.7)

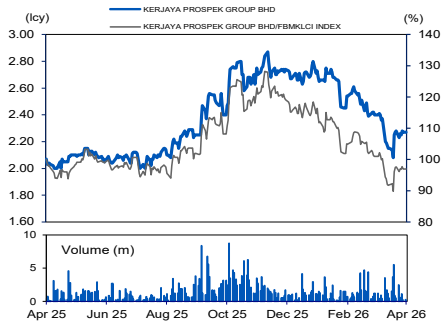
Major Shareholders %

Egovision Sdn Bhd	49.9
Amazing Parade Sdn Bhd	17.9
Employees Provident Fund Board	5.0

Balance Sheet Metrics %

FY26 NAV/Share (RM)	0.95
FY26 Net Cash/Share (RM)	0.12

Price Chart



Source: Bloomberg

Company Description

Kerjaya Prospek Group is a construction company which specialises in high-rise building construction.

- **Land acquisitions still on the cards.** KPG had previously commented that there may be further land acquisitions outside the four parcels it acquired last year. We understand KPG is still exploring acquisitions in Klang Valley and Penang for new property developments to replace its existing two projects (namely The Vue @ Monterez and Papyrus @ North Kiara) which are slated to be handed over later in 2026. While there is nothing concrete yet, we believe there should be minimal issues should KPG continue to purchase land given the group's strong balance sheet and consistent net cash position.
- **Yields provide degree of defensiveness.** KPG's dividend yield of 5.5% also appears attractive at current levels, representing the second highest amongst our sector coverage. KPG's guidance of a 12.5 sen dividend payout for 2026 and 2027 remains intact, supported by the group's strong net cash position and resilient earnings. Following the selldown stemming from oil price shocks triggered by the Iran War, we believe current prices represent an attractive entry point, offering both capital and dividend upside.

Valuation/Recommendation

- **Maintain BUY with unchanged SOTP-based target price of RM3.25.** This represents 15.6x 2026F PE or near +1.0SD to KPG's five-year mean. This is also in line with our target multiple for its mid-cap peers. We believe the premium is justified given KPG's strong outlook and improving operational matrices.

Earnings Revision/Risk

- **None**. We do acknowledge that there could be further upside to our 2027 property earnings following the recent land acquisitions.
- We estimate the potential GDV for the four new projects to be around RM1.6b. Assuming similar margins as its current projects, contributions could be upwards of RM250m at the PAT level. However, given the acquisitions have yet to be finalised, we have not fully imputed the new property development into our forecasts.

Environmental, Social, Governance (ESG) Updates

Environmental

- Certified and registered against the provisions of ISO 14001:2015.
- 6.7% yoy reduction in Scope 1 and 2 emissions in 2024.

Social

- Well-diversified workforce in terms of gender: female (46%) and male (54%).

Governance

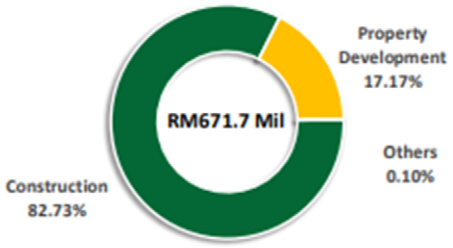
- 170 employees and directors attended Anti Bribery and Corruption training.
- High dividend payout ratio of above 70% (77% in 2024).

Orderbook Replenishment Assumptions

Year	RMm
2025	1,800
2026F	2,000
2027F	2,000
2028F	2,000

Source: Bloomberg

4Q25 Revenue Breakdown



Source: Kerjaya Prospek Group

SOTP Valuation

	Remark	Value (RMm)
Construction	17x PE	3,766.8
Property development	RNAV @ 20% discount	122.2
Net cash	As at end-25	229.8
Fair value		4,118.8
TP (RM)		3.25
Implied PE (x)		15.6

Source: Bloomberg

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	2,249	2,661	2,829	3,299
EBITDA	339	368	402	441
Deprec. & amort.	18	18	18	18
EBIT	308	350	384	424
Net interest income/(expense)	(1)	(1)	(1)	(1)
Pre-tax profit	307	349	382	422
Tax	(81)	(84)	(92)	(101)
Minorities	(1)	(1)	(1)	(1)
Net profit	225	265	290	320
Net profit (adj.)	239	265	290	320

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	103	138	177	227
Other LT assets	228	228	228	228
LT debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	313	427	620	820
Other current assets	1,427	1,617	1,643	1,827
Total assets	2,072	2,411	2,670	3,102
ST debt	18	18	18	18
Other current liabilities	559	733	844	1,063
Other LT liabilities	3	3	3	3
Shareholders' equity	1,201	1,314	1,452	1,620
Minority interest	1	2	2	3
Total liabilities & equity	2,072	2,411	2,670	3,102

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	264	319	401	419
Pre-tax profit	307	349	382	422
Tax	(81)	(84)	(92)	(101)
Deprec. & amort.	17	18	18	18
Working capital changes	(3)	36	93	80
Other operating cashflows	10	-	-	-
Investing	(35)	(53)	(57)	(67)
Capex (growth)	(11)	(53)	(57)	(67)
Investments	-	-	-	-
Proceeds from sale of assets	0	-	-	-
Others	(24)	-	-	-
Financing	(166)	(152)	(152)	(152)
Dividend payments	(151)	(152)	(152)	(152)
Issue of shares	-	-	-	-
Proceeds from borrowings	-	-	-	-
Others/interest paid	(15)	-	-	-
Net cash inflow (outflow)	62	114	192	200
Beginning cash & cash equivalent	252	313	427	620
Changes due to forex impact	(1)	0	0	0
Ending cash & cash equivalent	313	427	620	820

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	14.5	13.8	14.2	13.4
Pre-tax margin	13.6	13.1	13.5	12.8
Net margin	10.0	9.9	10.3	9.7
ROA	11.2	12.1	12.6	12.7
ROE	19.2	21.6	22.4	23.3
Growth				
Turnover	22.5	18.3	6.3	16.6
EBITDA	38.2	13.1	9.1	9.9
Pre-tax profit	41.8	13.7	9.6	10.4
Net profit	40.9	17.7	9.6	10.5
Net profit (adj.)	37.3	10.8	9.6	10.5
EPS	37.3	10.8	9.6	10.5
Leverage				
Debt to total capital	1.5	1.4	1.3	1.1
Debt to equity	1.5	1.4	1.3	1.1
Net debt/(cash) to equity	(24.6)	(31.1)	(41.4)	(49.4)
Interest cover (x)	382.4	251.1	274.1	301.3

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